

October 26, 1999

The Honorable Grady L. Patterson, Jr., State Treasurer
State of South Carolina
Columbia, South Carolina

This report on the review of the schedules of expenditures - budget and actual of the South Carolina State Treasurer's Office and the application of certain agreed-upon procedures to the accounting records for the fiscal year ended June 30, 1999, was issued by Deloitte & Touche, LLP, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/jap

South Carolina State Treasurer's Office

*Independent Accountants' Report
on Applying Agreed-Upon Procedures
for the Year Ended June 30, 1999*

SOUTH CAROLINA STATE TREASURER'S OFFICE

TABLE OF CONTENTS

	Page
INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES	1-3
SCHEDULES OF EXPENDITURES FOR THE YEAR ENDED JUNE 30, 1999:	
Schedule 1 - Budget and Actual - Budgetary General Fund	4
Schedule 2 - Budget and Actual - Other Budgeted Funds	5
Schedule 3 - Budget and Actual - Total Budgeted Funds	6
NOTES TO SCHEDULES	7-8

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. Thomas L. Wagner, Jr., CPA, State Auditor
South Carolina Office of the State Auditor
State of South Carolina

We have performed the procedures described below, which were agreed to by management of the South Carolina Office of the State Auditor and the South Carolina State Treasurer's Office ("Treasurer's Office"), solely to assist you in evaluating the performance of the Treasurer's Office in the areas addressed for the year ended June 30, 1999. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures and the associated findings are as follows:

Non-Payroll Disbursements

1. We nonstatistically selected 25 non-payroll disbursements from the Treasurer's Office disbursements registers for the year ended June 30, 1999 and performed the following:
 - a. Traced each to the appropriate voucher package, noting proper authorization and agreement to attached invoice.
 - b. Agreed voucher package total to posting in cash disbursements journal.
 - c. Proved clerical accuracy of each voucher package.

The total of the selected items was 43.8 percent of the aggregate amount of all recorded non-payroll disbursements for the 1999 fiscal year. We found no exceptions as a result of the above procedures.

Payroll Disbursements

2. We nonstatistically selected 25 employee payroll disbursements from the Treasurer's Office payroll registers for the year ended June 30, 1999 and performed the following:
 - a. Reviewed the employee's personnel file for employment application, I-9 Forms, and performance review documents to verify employment.
 - b. Agreed employee's gross pay per the personnel file to the Employee Profile from the Division of Human Resource Management.
 - c. Agreed employee's gross salary changes during fiscal year 1999 to authorizations in the personnel file.
 - d. Reviewed documentation in the personnel file for proper authorization of employee's voluntary deductions and Federal and State withholdings.

The total of the selected items was 1.7 percent of the aggregate amount of all recorded payroll disbursements for the 1999 fiscal year. We found no exceptions as a result of the above procedures.

3. We nonstatistically selected 2 payroll registers during the year ended June 30, 1999 and traced to payroll voucher, noting authorization by the Deputy State Treasurer. We agreed the gross payroll per the payroll register to the general ledger and to the South Carolina Office of the Comptroller General's Appropriation Transaction Detail. We found no exceptions as a result of the procedures.
4. We selected all employee additions during the year ended June 30, 1999 and reviewed each employee's personnel file to verify employment. We agreed the pay rate in the personnel file to the Employee Profile from the Division of Human Resource Management. We found no exceptions as a result of the procedures.
5. We selected all employee terminations during the year ended June 30, 1999 and reviewed each employee's personnel file to verify termination. We noted from the applicable payroll register subsequent to employee's termination that employee was no longer on the payroll. We found no exceptions as a result of the procedures.

General Ledger

6. We nonstatistically selected 5 journal entries made during the year ended June 30, 1999 and performed the following:
 - a. Verified that debits equaled credits.
 - b. Traced postings to the general ledger.
 - c. Agreed journal entry amount to supporting documentation.
 - d. Examined journal entry for approval.

We found no exceptions as a result of the procedures.

7. We obtained the schedule of interagency appropriation transfers for the year ended June 30, 1999 and performed the following:

- a. Reviewed for approval.
- b. Traced the transfers to general ledger.

We found no exceptions as a result of the procedures.

8. We nonstatistically selected one month of vouchers written during the month of April 1999 and verified for numerical sequence and found no exceptions.
9. We nonstatistically selected the cash disbursements book for the month of October 1998 and traced to the general ledger and found no exceptions.

Other

10. The accompanying Schedules of Expenditures - Budget and Actual (Schedules 1, 2 and 3) represent summarization of data derived from the accounting records within the Treasurer's Office for the year ended June 30, 1999. For each schedule, we agreed the amounts by line-item appropriation within budgetary fund category thereon to the accounting records of the Treasurer's Office. We proved the mathematical accuracy of the schedules. We found no exceptions as a result of the procedures.
11. We obtained copies of all closing packages as of and for the year ended June 30, 1999 prepared by the Treasurer's Office and submitted to the South Carolina Office of the Comptroller General and found that they were prepared in accordance with the South Carolina Office of the Comptroller General's GAAP Closing Procedures Manual. We compared the data within the closing packages to the supporting schedules and accounting records prepared by the Treasurer's Office and found them to be in agreement. We found no exceptions as a result of the procedures.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified areas, accounts, or items as described in procedures 1 through 11 of this report. Further, we were not engaged to express an opinion on the effectiveness of the internal controls over financial reporting. Accordingly, we do not express such opinions. Had we performed additional procedures or had we conducted an audit or review of the Treasurer's Office financial statements or any part thereof, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of the South Carolina Office of the State Auditor and the South Carolina State Treasurer's Office, and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

October 11, 1999

SCHEDULE 1

SOUTH CAROLINA STATE TREASURER'S OFFICE

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - BUDGETARY GENERAL FUND YEAR ENDED JUNE 30, 1999 (UNAUDITED)

	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable
Personal services	\$ 2,293,221	\$ 2,240,537	\$ 52,684
Employer contributions	513,521	510,425	3,096
Other operating expenses	<u>818,095</u>	<u>696,148</u>	<u>121,947</u>
Total expenditures (Note 2)	<u>\$ 3,624,837</u>	<u>\$ 3,447,110</u>	<u>\$ 177,727</u>

See accompanying notes to schedules.

SCHEDULE 2

SOUTH CAROLINA STATE TREASURER'S OFFICE

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - OTHER BUDGETED FUNDS
YEAR ENDED JUNE 30, 1999 (UNAUDITED)**

	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable
Personal services	\$ 396,436	\$ 396,213	\$ 223
Employer contributions	76,283	76,283	-
Other operating expenses	<u>555,766</u>	<u>431,964</u>	<u>123,802</u>
Total expenditures	<u>\$ 1,028,485</u>	<u>\$ 904,460</u>	<u>\$ 124,025</u>

See accompanying notes to schedules.

SCHEDULE 3**SOUTH CAROLINA STATE TREASURER'S OFFICE****SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - TOTAL BUDGETED FUNDS
YEAR ENDED JUNE 30, 1999 (UNAUDITED)**

	Legal Basis Budget	Actual on Budgetary Basis	Variance Favorable
Personal services	\$2,689,657	\$2,636,750	\$52,907
Employer contributions	589,804	586,708	3,096
Other operating expenses	<u>1,373,861</u>	<u>1,128,112</u>	<u>245,749</u>
Total expenditures	<u>\$4,653,322</u>	<u>\$4,351,570</u>	<u>\$301,752</u>

See accompanying notes to schedules.

SOUTH CAROLINA STATE TREASURER'S OFFICE

NOTES TO SCHEDULES

YEAR ENDED JUNE 30, 1999 (UNAUDITED)

1. BUDGETARY POLICY

The South Carolina State Treasurer's Office ("Treasurer's Office") is granted an annual appropriation for operating purposes by the General Assembly. The appropriation as enacted becomes the legal operating budget for the Treasurer's Office. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the State and authorizes expenditures of total funds. The Total Funds column in the Appropriation Act for each individual budgetary unit authorizes expenditures from all budgeted resources. A revenues budget is not adopted for individual budgetary units. The General Assembly enacts the budget through passage of line-item appropriations by program within budgetary unit within budgetary fund category, State General Fund or other budgeted funds. Budgetary control is maintained at the line-item level of the budgetary entity. Agencies may process disbursement vouchers in the State's budgetary accounting system only if enough cash and appropriation authorization exist.

Transfers of funds may be approved by the State Budget and Control Board ("Board") under its authority or by the agency as set forth in Appropriation Act Proviso 72.14 as follows: Agencies are authorized to transfer appropriations within programs and within the agency with notification to the Division of Budget and Analyses and the State Comptroller General. No such transfer may exceed twenty percent of the program budget. Transfers from personal services accounts or from other operating accounts may be restricted to any level set by the Board.

During the fiscal year-end closeout period in July 1999, agencies may continue to charge vendor, interagency, and interfund payments for fiscal year 1999 to the fiscal year's appropriations. Any unexpended State General Fund monies as of June 30 automatically lapse to the General Fund of the State on July 31 unless authorization is received from the General Assembly to carry over the funds to the ensuing fiscal year. State law does not require the use of encumbrance accounting.

State law does not precisely define the budgetary basis of accounting. The current Appropriation Act states that the General Assembly intends to appropriate all State funds and to authorize and/or appropriate the use of all other monies to operate State government for the current fiscal year. The State's annual budget is prepared primarily on the modified accrual basis of accounting with several exceptions, principally the cash disbursements basis is used for payroll expenditures.

The Schedules of Expenditures - Budget and Actual (Schedules 1 through 3) present actual expenditures on the budgetary basis of accounting compared to the legally adopted and modified budget on a line-item expenditure basis. The level of legal control for each agency is reported in a publication of the State Comptroller General's Office titled, *A Detailed Report of Appropriations and Expenditures*, for each fiscal year.

2. STATE APPROPRIATIONS

The following is a reconciliation of the Appropriation Act as originally enacted by the General Assembly to amounts available for the Treasurer's Office budgetary general fund expenditures as reported on Schedule 1 for the year ended June 30, 1999. This reconciliation does not include any activity of Aid to Subdivisions or Debt Service.

Original appropriation	\$ 3,308,745
Appropriation allocation from State Budget and Control Board:	
Employee Pay Plan (Proviso 63C.12)	<u>72,381</u>
Revised appropriations	3,381,126
Appropriation brought forward from fiscal year 1998 (Proviso 72.48)	243,711
Legal basis appropriation available for 1999 expenditures	\$ 3,624,837

Pursuant to 1999-2000 Appropriation Act Proviso 72.48, appropriations totaling \$177,727 unspent at the end of 1999 have been carried forward to fiscal year 2000.

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